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ARIZONA CORPORATION COMMISSION

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2007 JUL -6 A 10: 29

July 6, 2007

AZ CORP COMMISSION
DOCKET CONTROL

CERTIFIED MAIL

Ms. Peggy L. Larsen
Verde West Irrigation
Post Office Box 744
Camp Verde, Arizona 86322

RE: VERDE WEST IRRIGATION – APPLICATION FOR A RATE INCREASE
DOCKET NO. I-02274A-07-0357

LETTER OF INSUFFICIENCY

Dear Ms. Larsen:

This letter (per section R14-2-103.B.7 of the Arizona Administrative Code) is to inform you that your application, received on June 7, 2007; did not meet the sufficiency requirements as outlined in Arizona Administrative Code R14-2-103. Staff has found a number of deficiencies with the application which are listed on a separate attachment. The 30-day sufficiency determination period will begin anew when the Company corrects the deficiencies and Docket control receives the original and 15 copies of the corrected pages.

You have 15 calendar days, or until July 23, 2007 to correct the deficiencies, or make other arrangements with Staff to remedy your rate application. If corrections or other arrangements are not made by that date, Staff will request that the docket number be administratively closed. Docket Control will retain one copy of the original application for Commission records. You may file original and 15 copies of an updated application at a later date.

Arizona Corporation Commission
DOCKETED

JUL -6 2007

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Ms. Peggy L. Larsen
July 5, 2007
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The Staff person assigned to your application is Gary T. McMurry. He can be reached at (602) 542-20444, or toll free at (800) 222-7000, if you have any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "Elijah Abinah".

Elijah Abinah
Assistant Director / Acting Chief Accountant
Financial & Regulatory Analysis Section
Utilities Division

EOA:GTM:tdp

CC: Docket Control Center (fifteen copies)
Vicki Wallace, Consumer Services
Delbert Smith, Engineering
Marc Stern, Hearing Division

VERDE WEST IRRIGATION
DOCKET NO. I-02274A-07-0357
APPLICATION FOR RATE INCREASE
LISTED DEFICIENCIES

1. The revenue generated by the billing determinants (page 9) does not reconcile to the income statement (page 19) as required. Specifically, the company failed to provide the breakdown of customers billed by lot size versus those billed by acre.
2. Arizona Administrative Code R14-2-103(A) (3) (p) states that "The end of the test year shall be the most recent practical date available prior to the filing." Accordingly, Staff considers a test year ending December 31, 2005 to be stale.
3. Application does not contain invoices for purchased power, repairs & maintenance (greater than \$150), outside services (greater than \$150), or property taxes disclosures as required on page one.
4. Application does not contain a certificate of compliance letter of good standing from the Arizona Department of Revenue as required on page one.
5. Application does not contain invoices for each plant asset purchase (greater than \$150) for all additions (e.g. pump additions in 1993 & 2003) since the prior rate decision as required on page one.
6. Please provide the annual report for fiscal year 2006 as required (page 2).
7. Please reconcile the discrepancy in metered customers. The statement in support of rate request (page 6) indicates 183 customers while the water use data sheet (page 18) indicates 186 customers.
8. Statement in support of rate request (page 6) indicates that operating revenue after a \$15,000 rate increase would be \$36,000, which implies a prior year's operating revenue of \$21,000. Operating revenue in 2005 was only \$13,968. Please reconcile the apparent discrepancy.
9. The \$21,000 revenue increase stated on the re-docketed customer notification (page 32) letter does not agree with the increase noted in the Statement in support of the rate Request (page 6) of \$15,000 as they should.
10. Plant summary (page 14) does not provide plant in service information for the prior decision (1986) as required. Is any such information available? Is yes, please submit.
11. The Plant Summary (page 14) shows no additions or retirements since the last rate decision in 1986. Please state if that is correct or provide all additions and retirements as applicable.

VERDE WEST IRRIGATION
DOCKET NO. I-02274A-07-0357
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12. There appears to be no depreciation/amortization (page 15) associated with three asset classes, account # 307 (Wells & Springs), account # 330 (Distribution Reservoirs & Standpipes) or account # 347 (Miscellaneous Equipment). Is any such information available? If yes, please submit.

Engineering Items

13. Please provide a system diagram that shows how water is delivered to customers from the source. If different systems are used to serve different subdivisions and/or areas indicate the subdivision and/or area served by that system. Your schematic should include major system components such as pumps (for well or booster system), wells, storage facilities (such as ponds or tanks), ditches and pipe. On the schematic indicate the type of plant (pump, open ditch, pipe, etc.), the size of the plant (pump horsepower, pumping rate – GPM) and the size and length of the ditch or pipe used for transmission and distribution. Indicate if the system component depicted is one that is owned or leased by the utility (also see the following request).
14. Please provide a narrative describing the irrigation system, including but not limited to an inventory of all irrigation assets (e.g. pumping equipment, reservoirs, structures, etc.), location, and ownership of said assets.